

**ALGIERS CHARTER SCHOOLS ASSOCIATION****FINANCIAL STATEMENTS**

**For the Period of Inception (December 1, 2005)  
through June 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-1-07

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**FINANCIAL SECTION**

# REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
**Algiers Charter Schools Association**  
New Orleans, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Algiers Charter Schools Association (ACSA) (A Nonprofit Organization and a component unit of Orleans Parish School Board), for the period of inception (December 1, 2005) through June 30, 2006, which collectively comprise ACSA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ACSA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ACSA as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the period of inception (December 1, 2005) through June 30, 2006 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2007 on our consideration of the ACSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparisons on pages 3 through 6 and 24 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ACSA's basic financial statements. Other supplementary information on page 32 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards on page 37 and other supplementary information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of ACSA. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Rebowe & Company*

June 26, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**Management Discussion and Analysis**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

Algiers Charter School Association (ACSA) management's discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the financial activity of the six schools which it operates, identify ACSA's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual school issues or concerns. This is a requirement of the Governmental Accounting Standards Board in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the period of inception (December 1, 2005) through June 30, 2006. The following is an illustration on how these financial reports are presented.

As indicated in the illustration above, GASB 34 requires the presentation of two basic types of financial statements: Government-Wide Financial Statements and Fund Financial Statements.

**Government-Wide Financial Statements**

The government-wide financial statements provide a perspective of ACSA as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two government-wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various school services.

**Fund Financial Statements**

The fund statements are similar to financial presentations of typical governmental agencies focusing on ACSA's Major Funds. The fund statements are reported using the modified accrual accounting method. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as assets. Fund types include the General Fund, Special Revenue funds and a Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the Association. Its revenues are derived from state and federal grants. The Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose. The Fiduciary Fund accounts for assets held by the Association in a trustee capacity as an agent for various student groups and parents.

**TABLE 1  
NET ASSETS**

<b>ASSETS</b>		
Current and other assets		\$ 16,757,737
Capital assets, net		75,989
	Total Assets	<u>\$ 16,833,726</u>
 <b>LIABILITIES</b>		
Current liabilities		\$ 2,832,741
	Total Liabilities	<u>\$ 2,832,741</u>
 <b>NET ASSETS</b>		
Invested in capital assets, net of related debt		\$ 75,989
Unrestricted		13,924,996
	Total Net Assets	<u>\$ 14,000,985</u>

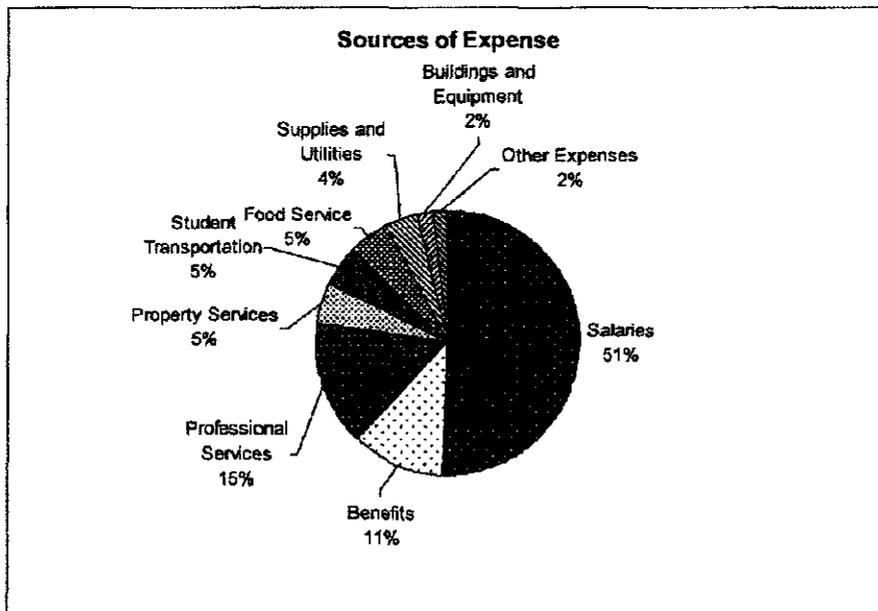
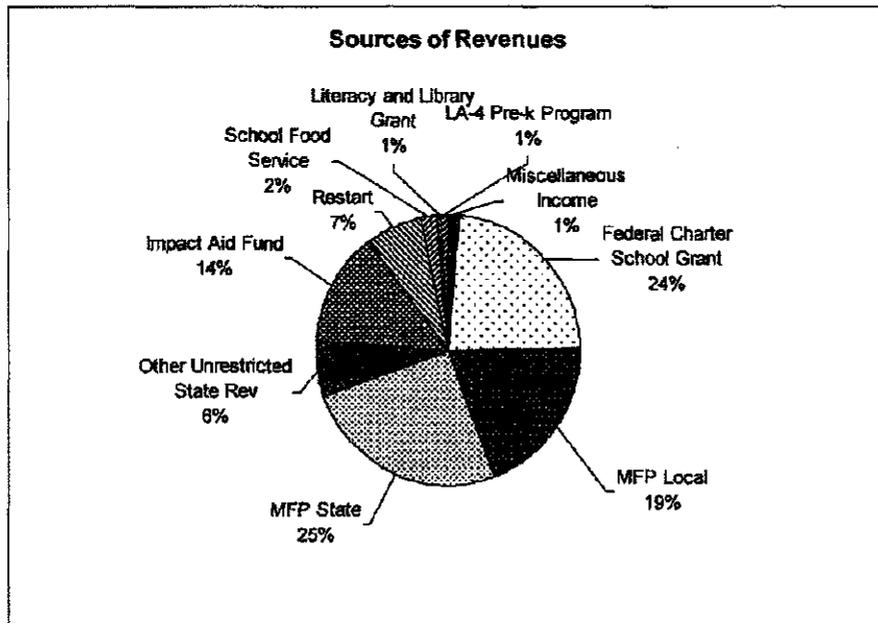
**TABLE 2  
CHANGES IN NET ASSETS**

<b>REVENUE</b>		
Program Revenues:		
Charges for Services		\$ 56,656
Operating grants and contributions		13,775,062
General Revenues:		
Minimum Foundation Program		12,667,168
OPSB Start-up funds		1,812,001
Interest and investment earnings		23,127
	Total Revenues	<u>\$ 28,334,014</u>
 <b>EXPENSE</b>		
Instruction:		
Regular		\$ 4,279,681
Special		1,072,931
Support Services:		
General administration		3,823,261
School administration		2,495,524
Operation and maintenance of plant		750,095
Food service		826,434
Instructional staff support		345,822
Student transportation		739,281
	Total Expenses	<u>\$ 14,333,029</u>

**TABLE 2  
CHANGES IN NET ASSETS (CONTINUED)**

Increase in Net Assets	14,000,985
Net Assets, Beginning of Period	<u>                  -</u>
Net Assets, End of Period	<u><u>\$ 14,000,985</u></u>

The following charts detail revenues and expenditures as a percentage of current period totals.



As noted above, ACSA's major revenue sources are MFP funding, PCSP funding and Impact Aid funding. In addition, the major expense category is salaries followed by professional services and benefits.

#### Minimum Foundation Program

A significant portion of state funding to ACSA is the minimum foundation Program (MFP). The MFP is funding from the state and local government for each student and is established annually. ACSA's MFP funding was \$12,667,168 for the 2005-2006 school year. MFP was calculated based on student totals given to OPSB on a monthly basis. The lowest student count was 1,324 students recorded in December 2005 and a high of 3,650 students recorded in both May and June 2006.

#### Impact Aid

Impact Aid is a federally funded grant administered through OPSB for students who were displaced as a result of hurricane Katrina. Revenues from this grant totaled \$3,856,055. The grant award ended on June 30, 2006.

#### Restart Grant

This grant is another federally funded grant passed through from the State Board of Education, in 2006 as a result of hurricane Katrina. \$1,982,024 was expended but has not been received as of the time of this report but is expected to be collected. This grant ended on July 31, 2006.

#### Federal Charter School Grant

The Public Charter School Program awards this grant to new charters for the first year of operation. As of June 30, 2006 \$6,666,894 was expended and received.

#### **Economic Factors and Next Year's Budget**

In addition to the six schools ACSA was operating as of June 30 2006, two additional elementary schools; Harriet Tubman and McDonogh 32 will be opening for school year 06-07. ACSA expects a projected enrollment of 4,380 including the two new schools and projected MFP funding totaling \$6,405 per student.

The majority of revenues are received through OPSB (for Harte and Karr) and the Recovery School District (for Behrman, Eisenhower, Fischer, McDonogh 32, Tubman and O.P. Walker). Projected MFP funding for the 06-07 school year, which is based on student count, should total approximately \$28 million. Based upon information received from both the State, via the Recovery School District, and OPSB, we anticipate receiving federal grants for the 06-07 school year totaling \$10.7 million. ACSA will budget expenses according to the projected revenues however ACSA expects to make adjustments as the actual revenues change. ACSA plans to have little or no surplus at June 30, 2007. Based on the fact that many of these revenues are passed through either the RSD or OPSB from the granting agency to us, there is significant uncertainty as to our ability to obtain funds on a timely basis. We anticipate that we while we will have to expend these funds throughout the year we will be seeking reimbursement at the end of the year which will result in a significant decline in our working capital.

**BASIC FINANCIAL STATEMENTS**

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 6,281,511
Receivables:	
Grant	10,177,124
Other	92,263
Prepaid expenses	201,288
Deposits	5,550
Capital assets, net of accumulated depreciation	<u>75,989</u>
Total assets	<u>16,833,725</u>
<u>LIABILITIES</u>	
Accounts payable	1,085,848
Accrued expenses	1,189,810
Due to other governments	206,566
Deferred revenue	<u>350,517</u>
Total liabilities	<u>2,832,741</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	75,989
Unrestricted	<u>13,924,996</u>
Total net assets	<u>\$ 14,000,985</u>

The notes to the financial statements are an integral part of this statement.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
For the Period of Inception (December 1, 2005) through June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants	Revenue and Changes in Net Assets
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 4,279,681	\$ -	\$ 4,195,933	\$ (83,748)
Special	1,072,931	-	1,056,463	(16,468)
<b>Support Services</b>				
General administration	3,823,261	-	3,748,442	(74,819)
School administration	2,495,524	-	2,449,693	(45,831)
Operation and maintenance of plant	750,095	-	735,417	(14,678)
Food service	826,434	56,656	565,469	(204,309)
Instructional staff support	345,822	-	339,055	(6,767)
Student transportation	739,281	-	684,590	(54,691)
<b>Total governmental activities</b>	<b>\$ 14,333,029</b>	<b>\$ 56,656</b>	<b>\$ 13,775,062</b>	<b>(501,311)</b>
<b>General Revenues:</b>				
Grants and contributions not restricted to specific purposes:				
Minimum Foundation Program				12,667,168
OPSB Start-up funds				1,812,001
Interest and investment earnings				23,127
<b>Total general revenues</b>				<b>14,502,296</b>
<b>Change in net assets</b>				<b>14,000,985</b>
<b>Net assets, beginning of year</b>				<b>-</b>
<b>Net assets, ending of year</b>				<b>\$ 14,000,985</b>

The notes to the financial statements are an integral part of this statement.

**ALGIERS CHARTER SCHOOLS ASSOCIATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2006**

	General Fund	Special Revenue Funds					Total Governmental Funds
		Emergency Impact Aid	Public Charter School Program	Library and Literacy	Child Nutrition	L.A. 4	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 6,224,855	\$ -	\$ -	\$ -	\$ -	\$ 56,656	\$ 6,281,511
Receivables:							
Grants	34,141	4,058,900	2,084,194	3,568,047	156,828	135,514	10,177,124
Other	92,263	-	-	-	-	-	92,263
Due from other funds	9,189,795	-	-	-	-	-	9,189,795
Prepaid expenses	82,828	14,968	103,492	-	-	-	201,288
Deposits	5,550	-	-	-	-	-	5,550
<b>Total Assets</b>	<b>\$ 15,629,432</b>	<b>\$ 4,073,868</b>	<b>\$ 2,187,686</b>	<b>\$ 3,568,047</b>	<b>\$ 156,828</b>	<b>\$ 192,170</b>	<b>\$ 25,947,531</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 402,183	\$ 330,754	\$ -	\$ 103,469	\$ 138,863	\$ 110,578	\$ 1,085,847
Accrued expenditures	1,189,810	-	-	-	-	-	1,189,810
Due to other funds	-	3,540,080	2,084,194	3,217,320	14,666	285,901	9,189,795
Due to other governments	-	127,566	-	79,000	-	-	206,566
Deferred revenue	-	75,468	103,492	168,258	3,299	-	350,517
<b>Total Liabilities</b>	<b>1,591,993</b>	<b>4,073,868</b>	<b>2,187,686</b>	<b>3,568,047</b>	<b>156,828</b>	<b>396,479</b>	<b>12,022,535</b>
Fund balances							
Unreserved, undesignated	14,037,439	-	-	-	-	(204,309)	13,924,996
<b>Total Fund Balances</b>	<b>14,037,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(204,309)</b>	<b>13,924,996</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,629,432</b>	<b>\$ 4,073,868</b>	<b>\$ 2,187,686</b>	<b>\$ 3,568,047</b>	<b>\$ 156,828</b>	<b>\$ 192,170</b>	<b>\$ 25,947,531</b>

The notes to the financial statements are an integral part of this statement.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds at June 30, 2006	\$ 13,924,996
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Capital assets	79,329
Accumulated depreciation	<u>(3,340)</u>
Net Assets of Governmental Activities	<u>\$ 14,000,985</u>

The notes to the financial statements are an integral part of this statement.

**ALGERS CHARTER SCHOOLS ASSOCIATION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**For the Period of Inception (December 1, 2005) through June 30, 2006**

	Special Revenue Funds							Total Governmental Funds
	General Fund	Emergency Impact Aid	Restart	Charter School Program	Library and Literacy	Child Nutrition	LA 4	
<b>REVENUES</b>								
State public school funding	\$ 12,667,168	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,667,168
Other state funding	2,001,032	-	-	-	-	-	-	2,001,032
Federal grants	68,235	3,856,055	1,982,024	6,666,894	153,529	-	231,366	12,958,103
School food reimbursement	-	-	-	-	-	565,469	-	565,469
Donations and contributions	62,460	-	-	-	-	-	-	62,460
Other revenue	23,127	-	-	-	-	56,656	-	79,783
<b>Total Revenues</b>	<b>14,822,022</b>	<b>3,856,055</b>	<b>1,982,024</b>	<b>6,666,894</b>	<b>153,529</b>	<b>622,125</b>	<b>231,366</b>	<b>28,334,015</b>
<b>EXPENDITURES</b>								
Salaries and benefits	89,378	2,622,339	-	6,059,006	9,648	-	139,500	8,919,871
Professional and technical services	74,823	470,305	1,667,974	-	-	-	-	2,213,102
Property services	370,593	763,411	225,664	-	-	110,578	-	1,470,246
Other services	120,219	-	21,133	-	-	715,856	-	857,208
Supplies	18,047	-	867	423,444	140,910	-	-	583,268
Property	29,604	-	66,386	184,444	2,971	-	-	283,405
Other	81,919	-	-	-	-	-	-	81,919
<b>Total Expenditures</b>	<b>784,583</b>	<b>3,856,055</b>	<b>1,982,024</b>	<b>6,666,894</b>	<b>153,529</b>	<b>826,434</b>	<b>139,500</b>	<b>14,409,019</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>14,037,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(204,309)</b>	<b>91,866</b>	<b>13,924,996</b>
<b>Fund Balances, Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit), End of Year</b>	<b>\$ 14,037,439</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (204,309)</b>	<b>\$ 91,866</b>	<b>\$ 13,924,996</b>

The notes to the financial statements are an integral part of this statement.

**ALGIERS CHARTER SCHOOLS ASSOCIATION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Period of Inception (December 1, 2005) through June 30, 2006**

Amounts reported for governmental activities in the Statement of Activities are different because:

Total net change in fund balances - Governmental Funds	\$ 13,924,996
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>75,989</u>
Change in Net Assets of Governmental Activities	<u>\$ 14,000,985</u>

The notes to the financial statements are an integral part of this statement.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2006**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 927,902</u>
Total Assets	<u>\$ 927,902</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$ 927,902</u>
Total Liabilities	<u>\$ 927,902</u>

The notes to the financial statements are an integral part of this statement.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Algiers Charter Schools Association (ACSA) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**1. REPORTING ENTITY**

The Orleans Parish School Board (OPSB) authorized by the Charter School Demonstration Programs Law and approved by the Board of Elementary and Secondary Education (BESE), granted to ACSA, a nonprofit organization organized under the laws of the State of Louisiana and exempt from taxation under Section 501(c)(3) of the Internal Revenue Code charters to operate two high schools and four elementary schools. The charters are valid for an initial period of five (5) years commencing on November 1, 2005 and ending on August 1, 2010.

As authorized by the operating agreement between OPSB and ACSA, ACSA operates the following schools:

Martin Behrman Elementary  
Dwight D. Eisenhower Elementary  
William J. Fisher Elementary  
Alice M. Harte Elementary  
Edna Karr Secondary  
O. Perry Walker Senior High

Although the schools listed above are the responsibility of ACSA, it is recognized as a component unit of OPSB, as defined by Government Accounting Standards Board Statement No. 14, as amended by Statement No. 39. The accompanying financial statements present information only on the funds maintained by ACSA and do not present information on the OPSB.

**2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) display information about the reporting entity as a whole, except for the fiduciary activities of ACSA. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1)

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. OPSB funding and other items not meeting the definition of program revenues are reported as *general revenues*.

The fund financial statements are used by ACSA to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain ACSA functions and activities. ACSA reports the following fund types:

Governmental funds:

The General Fund is ACSA's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose. ACSA reports as special revenue funds federal and other grant programs as follows: Emergency Impact Aid, Restart, Public Charter School Program, Library and Literacy, Child Nutrition and LA4.

Fiduciary fund:

Agency funds which are used to account for various student groups and related activities. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency fund has no measurement focus, but does use the modified accrual basis of accounting.

**3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements (except agency funds which do not have a measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available*

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, ACSA considers revenues to be available if they are collected within 60 days after the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. At June 30, 2006, the general fund and all special revenue funds were major funds.

When both restricted and unrestricted resources are available for use, it is ACSA's policy to use restricted resources first, then unrestricted resources as they are needed.

**4. BUDGETARY ACCOUNTING**

*Budget Policies* - Prior to the beginning of each year, an annual operating budget is prepared on the modified accrual basis for the General and Special Revenue Funds, the only fund types having legally adopted annual budgets.

The Director, in consultation with the staff, prepares ACSA's annual operating budget. The budget is based on the expected OPSB allocated revenues and other projected revenues for pupil expenditures. The Director presents the budget to ACSA's Board of Directors for review and revision. Finally, at an open meeting of the Board, the proposed budget is presented. The Board adopts the operating budget.

If, during the course of the fiscal year, it becomes evident that the estimated revenues, expenditures or beginning fund balance may vary, then the Director shall inform ACSA's Board of such variances. Based on the information submitted, the Board of Directors of ACSA will adopt an amended budget and will seek ways to generate additional revenues, if necessary.

All appropriations lapse at fiscal year end.

The budget data is reflected in the Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, (see pages 24 to 30).

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. CASH AND CASH EQUIVALENTS**

Cash includes the amounts in demand deposits and interest – bearing demand deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less.

**6. INTERFUND TRANSACTIONS**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. Short-term interfund loans are reported as “interfund receivables and payables”. Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

**7. CAPITAL ASSETS**

Capital assets are reported in the in the government-wide financial statements. Capital assets are defined by ACSA as assets with an initial individual cost of more than \$5,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation on all capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Asset Life</u>
Building and Improvements	20 to 50
Office Equipment	4 to 10

In the fund financial statements, capital assets used in governmental fund operations are accounted for as property expenditures of the governmental fund upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

If the charter agreement of ACSA is revoked or ACSA otherwise ceases to operate, all assets purchased with any public funds become the property of the OPSB.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. COMPENSATED ABSENCES**

ACSA compensates employees entitled to paid leave using their base hourly rate, excluding shift premiums and overtime compensation, if any.

*Paid time off* - All employees accrue two days of paid time off per month. ACSA paid all unused paid time off as of June 30, 2006.

**9. FUNDING SOURCES**

OPSB Funding

Subject to the provisions contained in the charters, ACSA received funding from the OPSB in an amount for each pupil based on the average daily membership at ACSA that is equal to the average current operating expenditures per pupil received by OPSB pursuant to the most recent legislatively approved Minimum Foundation Program formula.

OPSB Start-Up Funding

OPSB agreed to pay ACSA an amount equal to \$500/pupil as a start-up advance for 3,000 students which could be increased if student counts exceeded 3,000. ACSA may request additional start-up advances on the 1<sup>st</sup> of each month during the 05-06 school year.

Other Funding

Other revenues received by ACSA consist of federal grants, contributions, and public and private grants.

**10. DEFERRED REVENUE**

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and, accordingly, when such funds are received, they are recorded as deferred revenue until earned.

**11. EQUITY CLASSIFICATIONS**

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation.

**ALGIERS CHARTER SCHOOLS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**11. EQUITY CLASSIFICATIONS (CONTINUED)**

b. Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**12. DEFICIT FUND BALANCE**

The Child Nutrition Special Revenue fund had a \$204,309 deficit fund balance as of June 30, 2006. ACSA plans to fund this deficit with available fund balance in the general fund.

**13. ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. They may also affect the reported amounts of the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

**NOTE B - CASH AND CASH EQUIVALENTS**

Deposits

ACSA had the following cash as of June 30, 2006:

	<b>Total</b>
Governmental funds:	
Unrestricted	
Demand deposits	\$ 2,269,375
Time deposits	<u>4,012,136</u>
	<u>6,281,511</u>
Fiduciary Funds:	
Unrestricted	
Demand deposits	253,221
Restricted	
Demand deposits	<u>674,681</u>
	<u>927,903</u>
	<u>\$7,209,413</u>

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2006**

**NOTE B - CASH AND CASH EQUIVALENTS (CONTINUED)**

Custodial credit risk is the risk that, in the event of a bank failure, ACSA's deposits might not be recovered. ACSA does not have a deposit policy for custodial credit risk. At June 30, 2006, ACSA's demand deposit bank balances of \$7,960,876 were entirely secured by federal deposit insurance and pledged securities held by ACSA's agent in ACSA's name.

**NOTE C - RETIREMENT PLANS**

ACSA offers participants in the Teachers' Retirement System (TRS), a state retirement plan, for those employees who are eligible to participate. TRS issues a separate financial report that includes financial statements and required supplementary information. This report may be obtained by writing or calling the plan.

Teachers' Retirement System of Louisiana  
Post Office Box 94123  
Baton Rouge, LA 70804-9123  
(225) 925-6446

1. *Plan Description*—All teachers and administrative employees of ACSA are covered by defined benefit contributory pension plans administered and controlled by a separate Board of Trustees. The Board of Trustees administers plans which are cost-sharing multiple-employer public employee retirement systems.

Teachers and administrative employees belong to the Teachers' Regular Plan. Benefits are established by State statute.

TRS provides retirement benefits as well as death and disability benefits. Death and disability benefits vest after 5 years of credited service. Normal retirement is at age 60 with 10 years of service or 20 years of service regardless of age for the Teachers' Regular plan members. Retirement benefits are based upon the following formula percentages:

<u>Minimum Age</u>	<u>Teachers' Regular</u>
60	2.0% per year
Any age	2.0% per year
55	2.5% per year
Any age	2.5% per year
65	2.5% per year

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2006**

**NOTE C - RETIREMENT PLANS (CONTINUED)**

The percentage formula is applied to the average of the highest three successive annual salaries. The benefit is payable for life with eight available annuity payment plans. The plans also provide various death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive amounts determined as defined by the plan.

2. *Contributions Required and Made*—Covered employees and ACSA are required by State statute to contribute fixed percentages of employees' gross earnings to the pension plans. Current contribution rates for the plans are as follows:

	<u>Employee</u>	<u>Employer</u>
Teachers' Regular	8.00%	15.90%

Employees contribute 8% of their salaries. ACSA contributes 15.9% of the employees' salaries as a contribution. ACSA's contributions were \$1,048,670 for the period of inception (December 1, 2005) through June 30, 2006.

**NOTE D - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Due to/from other funds

Due to/from other funds at June 30, 2006 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Emergency Impact Aid	\$ 3,540,080
	Public Charter School Program	3,217,320
	Restart	2,084,194
	Library and Literacy	14,666
	Child Nutrition	285,901
	LA4	47,634
Total		\$ 9,189,795

The above due to/from other funds were short-term receivables or payables resulting from the normal course of ACSA's operations.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2006**

**NOTE E - CAPITAL ASSETS**

A summary of changes in governmental fund type capital assets for the period of inception (December 1, 2005) through June 30, 2006 is as follows:

	<u>Date of Inception</u> <u>December 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>
<b>Governmental Activities</b>				
Capital assets being depreciated:				
Building and improvements	\$ -	\$ 16,049	\$ -	\$ 16,049
Office equipment	<u>-</u>	<u>63,280</u>	<u>-</u>	<u>63,280</u>
 Total capital assets being depreciated	 <u>-</u>	 <u>79,329</u>	 <u>-</u>	 <u>79,329</u>
Less accumulated depreciation for:				
Building and improvements	-	198	-	198
Office equipment	<u>-</u>	<u>3,142</u>	<u>-</u>	<u>3,142</u>
 Total accumulated depreciation	 <u>-</u>	 <u>3,340</u>	 <u>-</u>	 <u>3,340</u>
 Total capital assets being depreciated, net	 <u>-</u>	 <u>75,989</u>	 <u>-</u>	 <u>75,989</u>
Governmental Activities Capital assets, net	<u>\$ -</u>	<u>\$ 75,989</u>	<u>\$ -</u>	<u>\$ 75,989</u>

Depreciation expense was charged to functions/programs of ACSA as follows:

Support services:	
Operation and maintenance of plant	\$ 198
General administration	928
School administration	<u>2,214</u>
 Total depreciation expense - governmental activities	 <u>\$ 3,340</u>

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2006**

**NOTE F - LINE OF CREDIT**

ACSA has the following line of credit outstanding as of June 30, 2006:

Line of credit, unsecured, payable to bank bearing interest at a variable annual rate, the line of credit was extended through November 30, 2006, total line is \$3,000,000.

There was no outstanding balance at June 30, 2006.

There was no interest expense for the period of inception (December 1, 2005) through June 30, 2006.

**NOTE G - CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

**NOTE H - RISK MANAGEMENT**

ACSA is exposed to various risks of loss related to thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, employee health and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**NOTE I - SUBSEQUENT EVENT**

Four of the six schools that ACSA operated in the current period under a charter agreement with OPSB will now operate under a charter with the Recovery School District (RSD). In addition to the existing six schools that were in operation in the current period, ASCA has been approved to operate two new charter schools under RSD, bringing the total number of schools in operation for the 06-07 school year to eight.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State public school funding	\$ 7,526,214	\$ 12,667,168	\$ 12,667,168	\$ -
Other state funding	1,978,500	2,001,032	2,001,032	-
Federal grants	7,914,000	68,235	68,235	-
School food reimbursement	-	-	-	-
Donations and contributions	-	62,460	62,460	-
Other revenue	-	23,127	23,127	-
<b>Total Revenues</b>	<u>17,418,714</u>	<u>14,822,022</u>	<u>14,822,022</u>	<u>-</u>
<b>Expenditures</b>				
Salaries and benefits	8,579,739	89,378	89,378	-
Professional and technical services	2,832,010	74,823	74,823	-
Property services	1,094,892	370,593	370,593	-
Other services	1,429,654	120,219	120,219	-
Supplies	1,978,900	18,047	18,047	-
Property	832,000	29,604	29,604	-
Other	568,146	81,919	81,919	-
<b>Total Expenditures</b>	<u>17,315,341</u>	<u>784,583</u>	<u>784,583</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	<u>103,373</u>	<u>14,037,439</u>	<u>14,037,439</u>	<u>-</u>
<b>Fund Balances, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 103,373</u>	<u>\$ 14,037,439</u>	<u>\$ 14,037,439</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this schedule.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**EMERGENCY IMPACT AID**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State public school funding	\$ -	\$ -	\$ -	\$ -
Other state funding	-	-	-	-
Federal grants	-	3,856,055	3,856,055	-
School food reimbursement	-	-	-	-
Donations and contributions	-	-	-	-
Other revenue	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>3,856,055</b>	<b>3,856,055</b>	<b>-</b>
<b>Expenditures</b>				
Salaries and benefits	-	2,622,339	2,622,339	-
Professional and technical services	-	470,305	470,305	-
Property services	-	763,411	763,411	-
Other services	-	-	-	-
Supplies	-	-	-	-
Property	-	-	-	-
Other	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>3,856,055</b>	<b>3,856,055</b>	<b>-</b>
<b>Excess of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this schedule.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**RESTART**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State public school funding	\$ -	\$ -	\$ -	\$ -
Other state funding	-	-	-	-
Federal grants	-	1,982,024	1,982,024	-
School food reimbursement	-	-	-	-
Donations and contributions	-	-	-	-
Other revenue	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>1,982,024</b>	<b>1,982,024</b>	<b>-</b>
<b>Expenditures</b>				
Salaries and benefits	-	-	-	-
Professional and technical services	-	1,667,974	1,667,974	-
Property services	-	225,664	225,664	-
Other services	-	21,133	21,133	-
Supplies	-	867	867	-
Property	-	66,386	66,386	-
Other	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>1,982,024</b>	<b>1,982,024</b>	<b>-</b>
<b>Excess of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this schedule.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**PUBLIC CHARTER SCHOOL PROGRAM**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State public school funding	\$ -	\$ -	\$ -	\$ -
Other state funding	-	-	-	-
Federal grants	-	6,666,894	6,666,894	-
School food reimbursement	-	-	-	-
Donations and contributions	-	-	-	-
Other revenue	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>6,666,894</u>	<u>6,666,894</u>	<u>-</u>
<b>Expenditures</b>				
Salaries and benefits	-	6,059,006	6,059,006	-
Professional and technical services	-	-	-	-
Property services	-	-	-	-
Other services	-	-	-	-
Supplies	-	423,444	423,444	-
Property	-	184,444	184,444	-
Other	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>6,666,894</u>	<u>6,666,894</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this schedule.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**LIBRARY AND LITERACY**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State public school funding	\$ -	\$ -	\$ -	\$ -
Other state funding	-	-	-	-
Federal grants	-	153,529	153,529	-
School food reimbursement	-	-	-	-
Donations and contributions	-	-	-	-
Other revenue	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>153,529</u>	<u>153,529</u>	<u>-</u>
<b>Expenditures</b>				
Salaries and benefits	-	9,648	9,648	-
Professional and technical services	-	-	-	-
Property services	-	-	-	-
Other services	-	-	-	-
Supplies	-	140,910	140,910	-
Property	-	2,971	2,971	-
Other	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>153,529</u>	<u>153,529</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this schedule.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**CHILD NUTRITION**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State public school funding	\$ -	\$ -	\$ -	\$ -
Other state funding	-	-	-	-
Federal grants	-	-	-	-
School food reimbursement	-	565,469	565,469	-
Donations and contributions	-	-	-	-
Other revenue	-	56,656	56,656	-
<b>Total Revenues</b>	<b>-</b>	<b>622,125</b>	<b>622,125</b>	<b>-</b>
<b>Expenditures</b>				
Salaries and benefits	-	-	-	-
Professional and technical services	-	-	-	-
Property services	-	110,578	110,578	-
Other services	-	715,856	715,856	-
Supplies	-	-	-	-
Property	-	-	-	-
Other	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>826,434</b>	<b>826,434</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>(204,309)</b>	<b>(204,309)</b>	<b>-</b>
<b>Fund Balances, Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) , End of Year</b>	<b>\$ -</b>	<b>\$ (204,309)</b>	<b>\$ (204,309)</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this schedule.

**ALGIERS CHARTER SCHOOLS ASSOCIATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

**LA 4**

**For the Period of Inception (December 1, 2005) through June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State public school funding	\$ -	\$ -	\$ -	\$ -
Other state funding	-	-	-	-
Federal grants	-	231,366	231,366	-
School food reimbursement	-	-	-	-
Donations and contributions	-	-	-	-
Other revenue	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>231,366</b>	<b>231,366</b>	<b>-</b>
<b>Expenditures</b>				
Salaries and benefits	-	139,500	139,500	-
Professional and technical services	-	-	-	-
Property services	-	-	-	-
Other services	-	-	-	-
Supplies	-	-	-	-
Property	-	-	-	-
Other	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>139,500</b>	<b>139,500</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>91,866</b>	<b>91,866</b>	<b>-</b>
<b>Fund Balances, Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 91,866</b>	<b>\$ 91,866</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this schedule.

**OTHER SUPPLEMENTARY INFORMATION**

## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations and/or other funds.

**ALGIERS CHARTER SCHOOLS ASSOCIATION  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS**

**For the Period of Inception (December 1, 2005) to June 30, 2006**

	<u>BALANCE DECEMBER 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2006</u>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 1,209,547	\$ 281,645	\$ 927,902
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 1,209,547</u>	<u>\$ 281,645</u>	<u>\$ 927,902</u>
<b>Liabilities</b>				
Due to student groups	\$ -	\$ 1,209,547	\$ 281,645	\$ 927,902
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 1,209,547</u>	<u>\$ 281,645</u>	<u>\$ 927,902</u>

**SINGLE AUDIT SECTION**

# REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

A PROFESSIONAL CORPORATION

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors of  
**Algiers Charter Schools Association**  
New Orleans, Louisiana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Algiers Charter Schools Association (ACSA) (A Nonprofit Organization and component unit of Orleans Parish School Board) for the period of inception (December 1, 2005) through June 30, 2006, which collectively comprise ACSA's basic financial statements and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered ACSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACSA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to the management of ACSA in a separate letter dated June 26, 2007.

This report is intended solely for the information and use of ACSA's management, the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Reboue & Company*

June 26, 2007

# REBOWE & COMPANY

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors of  
**Algiers Charter Schools Association**  
New Orleans, Louisiana

### Compliance

We have audited the compliance of Algiers Charter Schools Association (ACSA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the period of inception (December 1, 2005) through June 30, 2006. ACSA's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of ACSA's management. Our responsibility is to express an opinion on ACSA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ACSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on ACSA's compliance with those requirements.

In our opinion, ACSA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the period of inception (December 1, 2005) through June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 06-01 to 06-02.

### Internal Control Over Compliance

The management of ACSA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered ACSA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of ACSA's management, the Legislative Auditor of the State of Louisiana, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Reboue & Company*

June 26, 2007

**ALGIERS CHARTER SCHOOL ASSOCIATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Period of Inception (December 1, 2005) to June 30, 2006**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Total Grant Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>				
Direct Programs:				
Literacy & Library Grant	84.364A	-	\$ 156,828	<u>\$ 153,529</u>
Total Direct Programs				<u>153,529</u>
Passed-Through State Department of Education:				
Federal Public Charter School Program	84.282A	-	\$ 6,914,152	6,666,894
Restart	84.938A	-	\$ 4,061,498	1,982,024
Emergency Impact Aid	84.938C	-	\$ 4,058,900	<u>3,856,055</u>
Total Passed-Through State Department of Education				<u>12,504,973</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>\$ 12,658,502</u>
<u>U.S. Department of Health and Human Services</u>				
Passed-Through the State Department of Social Services:				
Child Care Assistance	93.558	49492400	-	<u>\$ 139,500</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$ 139,500</u>
<u>U.S. Department of Agriculture</u>				
Passed-Through the State Department of Education:				
National School Lunch Program Free and Reduced Price Meals	10.555	-	-	<u>\$ 565,469</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>\$ 565,469</u>
<u>Other Programs</u>				
Passed-Through Alvin Callender Navy Base:				
Reserve Officer Training Corp (ROTC)	99.999	-	\$ 56,691	<u>\$ 56,691</u>
TOTAL OTHER PROGRAMS				<u>\$ 56,691</u>
TOTAL FEDERAL ASSISTANCE				<u>\$ 13,420,162</u>

The accompanying notes to Schedule of Expenditures of Federal Awards are in integral part of this schedule.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of ACSA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".

**2. ACCRUED REIMBURSEMENT**

Various reimbursement procedures are used for federal awards received by the ACSA. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year.

**3. PAYMENTS TO SUBRECIPIANTS**

There were no payments to subrecipients for the period of inception (December 1, 2005) through June 30, 2006.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Algiers Charter Schools Association.
2. No reportable conditions in internal control over financial reporting are reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Algiers Charter Schools Association were reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
4. No reportable conditions relating to the audit of major federal award programs are reported in the *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for Algiers Charter Schools Association expresses an unqualified opinion on all major federal awards.
6. The auditors' report disclosed three findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133. These findings are described in the Schedule of Findings and Questioned Costs as items 06-01 to 06-02.
7. A management letter was issued for the period of inception (December 1, 2005) through June 30, 2006.
8. The programs tested as major programs are:

	<u>CFDA Number</u>
Department of Education:	
Restart Grant	84.938A
Emergency Impact Aid Grant	84.938C
Public Charter Schools Grant	84.282
National School Lunch Program	10.555

9. The threshold for distinguishing Types A and B programs was \$402,605.
10. Algiers Charter Schools Association was determined to be a low-risk auditee.

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Period of Inception (December 1, 2005) through June 30, 2006**

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

There were no findings related to the financial statements for the period of inception (December 1, 2005) through June 30, 2006.

**C. FINDINGS AND QUESTIONED COSTS RELATED TO THE MAJOR FEDERAL AWARD PROGRAMS**

US Department of Education, Public Charter School Grant, CFDA 84.282

**Finding 06-01:**

Claims submitted for reimbursement were \$79,000 in excess of actual expenditures.

**Recommendation:**

ACSA should contact the grantor agency to determine how to resolve this over claimed amount.

**Response:**

See Management's Corrective Action Plan.

US Department of Education, Emergency Impact Aid Grant, CFDA 84.938C

**Finding 06-02:**

Claims submitted for reimbursement were \$127,565 in excess of actual expenditures.

**Recommendation:**

ACSA should contact the grantor agency to determine how to resolve this over claimed amount.

**Response:**

See Management's Corrective Action Plan.

**ALGIERS CHARTER SCHOOLS ASSOCIATION  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
AND QUESTIONED COSTS  
For the Period of Inception (December 1, 2005) through June 30, 2006**

**SECTION 1 – FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

N/A

**SECTION 2 – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR  
FEDERAL AWARD PROGRAMS**

N/A

**SECTION 3 – MANAGEMENT LETTER**

N/A

**ALGIERS CHARTER SCHOOLS ASSOCIATION  
CORRECTIVE ACTION PLAN  
For the Period of Inception (December 1, 2005) through June 30, 2006**

**SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

None.

**SECTION II - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR  
FEDERAL AWARD PROGRAMS**

**06-01 Public Charter School Grant**

**Finding:**

Claims submitted for reimbursement were \$79,000 in excess of actual expenditures.

**Corrective Action:**

ACSA will contact the grantor agency to determine how to resolve this over claimed amount. (Mr. Robert E. Fulton, Finance Director, 504-393-0926)

**06-02 Emergency Impact Aid Grant**

**Finding:**

Claims submitted for reimbursement were \$127,565 in excess of actual expenditures.

**Corrective Action:**

ACSA will contact the grantor agency to determine how to resolve this over claimed amount. (Mr. Robert E. Fulton, Finance Director, 504-393-0926)

**ALGIERS CHARTER SCHOOLS ASSOCIATION**  
**MEMORANDUM OF ADVISORY COMMENTS**

**June 30, 2006**

**REBOWE & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS  
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# REBOWE & COMPANY

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Board of Directors  
Algiers Charter Schools Association  
New Orleans, Louisiana

We have audited the basic financial statements of Algiers Charter Schools Association ("ACSA") for the period of inception (December 1, 2006) through June 30, 2006, and have issued our report thereon dated June 26, 2007. As part of our audit we considered ACSA's internal control in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control.

Our consideration of the internal control has been reported on in a separately issued report entitled "Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We have discussed our comments and recommendations with ACSA's administrative personnel and ACSA has completed a Corrective Action Plan. We will be pleased to discuss these comments and recommendations with you in at your convenience, perform any additional study of these matters, or assist you in implementing our recommendations.

*Rebowe & Company*

June 26, 2007

### **Special Revenue Fund Budgets**

Louisiana Revised Statutes 39:1304, require the adoption of a comprehensive budget presenting a complete financial plan for the ensuing year for the general fund and each special revenue fund. An original budget was not prepared for the special revenue funds. Louisiana Revised Statute 39:1311(B) exempts special revenue funds which are expenditure-driven in this manner from the requirement to adopt amended budgets if projected revenues or expenses deviate more than 5% from the adopted budget; however, such funds are not exempt from the requirement to prepare a budget prior to the start of each fiscal year.

### **Recommendation**

ACSA's management should ensure compliance with Louisiana budget laws by adopting budgets for every special revenue fund.

### **Management's Response**

After the fiscal year 2006 began, the special revenue funds were created to better track the federal grants. These funds are used to account for costs that are eligible for reimbursement from the grantor agencies. In fiscal year 2007, ACSA will include the special revenue funds during the budget process. Robert E. Fulton, Director of Finance (504-393-0926).

### **Physical Inventory of Capital Assets**

ACSA has an investment of approximately \$80,000 in capital assets and a physical inventory has not been taken.

### **Recommendation:**

We recommend that ACSA perform a physical inventory of capital assets on an annual basis. In connection with this inventory, tags should be placed on each asset with numbers that are recorded in the detail property records. This will help improve the tracking of assets for disposal and impairment purposes as well as to deter the unauthorized use of school property.

### **Management's Response**

ACSA is currently in the process of developing and implementing procedures to perform a physical inventory of capital assets for the fiscal year 2007. Robert E. Fulton, Director of Finance (9504-393-0926).

### **Deficit Fund Balance**

The Child Nutrition fund has a deficit fund balance as of June 30, 2006 of \$204,309.

### **Recommendation**

ACSA should review the level of operations as well as the revenues generated and expenditures incurred and take action as needed (to raise revenues or decrease expenditures).

### **Response**

In fiscal year 2007, ACSA changed food service providers resulting in a decrease in expenditures. As a result, this fund is currently budgeted to break even. Robert E. Fulton, Director of Finance (504-393-0926).

### **Financial and Grant Recordkeeping**

ACSA does not maintain an adequate set of financial and grant records. The current system does not permit the preparation of accurate and reliable financial statements. The importance of a good accounting system can not be overemphasized. Without adequate financial records, management is basing its decisions on incomplete and/or inaccurate information during the year, and excessive time is spent in preparing the financial statements.

### **Recommendation**

ACSA, which is a rapidly expanding organization, would highly benefit from keeping good supporting documentation related to cash receipts, disbursements, student activity funds and grant agreements and related information.

### **Response**

In fiscal year 2007, ACSA has more adequate staff, has implemented an accounting software package and has a more standardized recordkeeping system. Robert E. Fulton, Director of Finance (504-393-0926).

### **Accounting Manual**

ACSA does not have an accounting policies and procedures manual.

### **Recommendation**

Written procedures, instructions, and assignments of duties will help to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs.

### **Response**

ACSA is aware that a written accounting policies and procedures manual would benefit the Organization. There are plans to develop and implement an accounting manual by fiscal year 2008. Robert E. Fulton, Director of Finance (504-393-0926).

### **Budget Procedures**

ACSA does not have written budget procedures.

### **Recommendation**

ACSA should document in writing budget procedures that are in compliance with State Law and Charter School Law.

### **Response**

ACSA will adhere to the budget requirements in accordance with State Law and Charter School Law. Robert E. Fulton, Director of Finance (504-393-0926).

### **Disaster Recovery Plan**

ACSA does not have written disaster recovery procedures.

#### **Recommendation**

The time to make contingency plans is before a disaster happens, so that all personnel are aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities. We recommend that management develop and test a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, off-site storage.
- A listing of all data files that would have to be obtained from the off-site storage location.
- Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing.
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.

#### **Response**

ACSA does have disaster recovery procedures in place addressing the safeguarding of records however; it is currently not a written policy. This will be addressed in the accounting policies and procedures manual to be implemented by fiscal year 2008. Robert E. Fulton, Director of Finance (504-393-0926).

### **Approved Vendor Listing**

ACSA does not maintain a Board of Directors approved vendor listing.

#### **Recommendation**

We recommend a vendor listing be developed and approved by the Board. A vendor listing could improve the efficiency of the ordering process but may allow for ACSA to get the best price and/or quality on purchases and negotiate more favorable payment terms with suppliers.

#### **Response**

A policy to have an approved vendor listing is currently being addressed and will be included in the accounting policies and procedures manual to be implemented by fiscal year 2008. Robert E. Fulton, Director of Finance (504-393-0926).